

PRESS RELEASE

June 24, 2025

Revenue of Indian higher education institutions to maintain 9-11% expansion in FY2026: ICRA

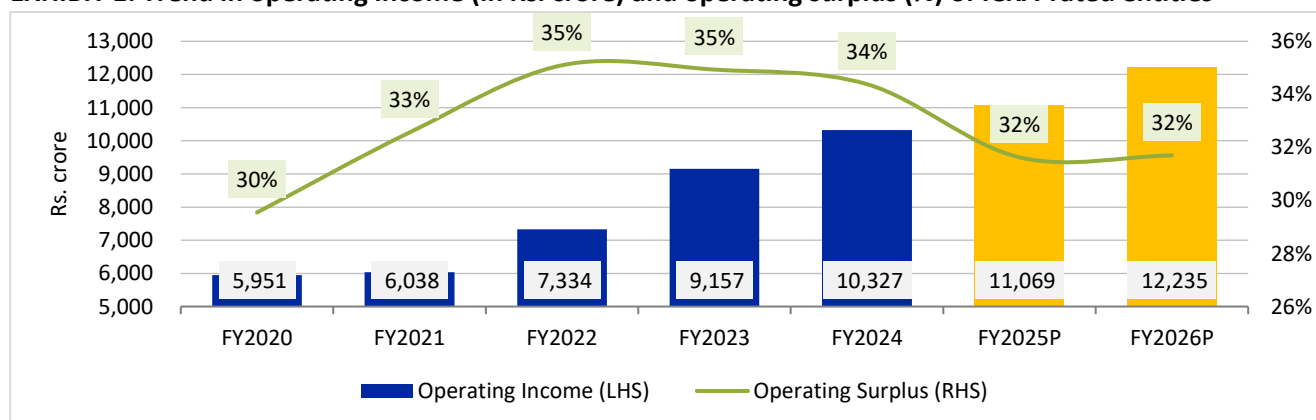
- Tightening student visa norms in USA, UK and Canada to aid Indian higher education institutions
- India's large youth population and improved access to credit (education loans) augur well for the sector

Rating agency ICRA projects the revenue of higher education institutions to expand by 9-11% in FY2026, similar to the growth estimated for FY2025, on the back of expanding seat capacities, improving enrolments and addition of courses. Moreover, tightening student visa norms in the USA, the UK and Canada is likely to aid Indian higher education institutions in the near to medium term. ICRA's analysis suggests that the credit profile of these institutes, especially those catering to medical stream, has witnessed steady improvement in recent years.

With nearly 15-20% of India's population estimated to be in the 15-24 age bracket, and with improving literacy rates, the demand for higher education in the country is projected to increase over the next decade. While the increasing cost of higher education has remained a deterrent, improving access to credit (education loan) for students vying for higher education from various financial institutions has been providing support. Additionally, the Government of India's (GoI's) expenditure on higher education has doubled in the last 10 years, which, coupled with the rise in the number of universities from 642 in AY2011 to ~1,189 as of AY2025, has translated into a handsome revenue growth for major universities. Healthy admissions, along with annual fee hike of ~6-8% has translated into a strong compounded annual growth rate (CAGR) of 15% in revenue growth for these colleges during FY2020-FY2024.

Giving more insights into the same, **Suprio Banerjee, Vice president & Co-Group Head, Corporate Ratings, ICRA**, said: "Other than the GoI's impetus on higher education, the recent tightening of student VISA norms in the US, the UK and Canada will also propel some of the Indian students targeting enrolment in international universities to explore options at home. The higher education sector in India is poised for growth owing to continued strong demand, increasing disposable family income, easy access to credit, and enhanced Government focus, through initiatives like the National Education Policy (NEP) 2020 and private sector participation. Private universities will continue to lead the pack in terms of incremental enrolments, especially in the medical and engineering stream. However, the sector faces challenges such as fragmentation, infrastructure deficiencies, affordability issues, employability concerns, shortage of qualified faculty, and limited autonomy due to high regulations."

EXHIBIT 1: Trend in operating income (in Rs. crore) and operating surplus (%) of ICRA-rated entities



Source: ICRA Research,

Commenting on the credit trends in the sector, **Banerjee** said: *The operating surplus for the entities under study remained healthy at ~30-35% during FY2020-2024 and is expected to remain strong at upwards of 30% in FY2025 and FY2026. Despite intermittent sizeable capex requirements for capacity expansion, the debt coverage metrics are expected to remain healthy, driven by on-book liquidity to fund the capex as well as healthy surplus generation limiting the borrowing levels”.*

The gross enrolment ratio (GER) for higher education has risen over the years to ~28% in AY2022 from 21% in AY2012. The NEP 2020’s target has been to boost the GER in higher education to 50% by 2035, which though ambitious, also reflects the large untapped growth potential for the sector.

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